For release 3.00 p.m. on Thursday, January 27th, 1966.

The Address of

Mr. A. Hazlett Lemmon

President

at the

119th Annual Meeting

of

The Canada Life

Assurance Company

January 27th, 1966

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Introduction

It is my very real pleasure to discuss with you for a few moments the Annual Report of The Canada Life Assurance Company, which is presented at this its 119th Annual Meeting. In each of those years, a Senior Officer has stood up to give on behalf of the Company an accounting of its stewardship to its policyholders. This period covers years of war; years of peace; and some--like 1965--a bit of both. It has included years of epidemic and years of great advances in medical science; years of depression and years of progress and affluence. Almost without exception, the Company has been able to report a steadily-growing family of policyholders and a steady increase in the strength of the Company in keeping with its increased responsibilities.

The year 1965 was no exception to this pattern. Not only do we report substantial growth in the volume of business, but also in the numbers of people served by the Company, and also an expansion in the number of ways in which the Company can serve those policyholders.

New Business

Let us start our review with New Business. In 1965, the total amount of protection and savings arranged by our insurance counsellors on behalf of their policyholders exceeded three-quarters of a billion dollars. This is the largest amount ever recorded in any one year by the Canada Life and exceeds the 1964 figure by more than $140 million.

If you look at the First Chart on the back of your folder, you will see that individual life insurance amounted to $424 million, which is higher than in any preceding year. Not only is the amount of coverage greater, but the number of policies actually issued--over 37,000--is also the largest in our history. Our life underwriters are trained to match the needs of the policyholder with the most suitable form of protection and savings plan. The above figures indicate that more and more people are seeking this guidance and are availing themselves of the services of your Company. There were significant increases in individual life insurance sales in all Countries in which we serve our policyholders, but our Canadian organization recorded the highest percentage gain in ordinary sales.

Our Group Insurance Department again had a most outstanding year, arranging coverage in excess of $300 million, which is over 50% greater than any previous year in the Company's history. Sales of ordinary annuities showed a very satisfactory increase, but sales of group annuities were adversely affected by uncertainties surrounding the inauguration of the Canada Pension Plan.

On January 1st of this year, Canada inaugurated its first universal contributory Pension Plan. As insurance people, we are, of course, heartily in accord with the pension principle and wish to see every retired person with an adequate income. We have always favoured the Old-Age Security programme to provide a universal pension floor for Canadians, but have felt strongly that

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On January 1st of this year, Canada introduced its first national contributory Pension Plan. As insurance people, we are, of course, vitally concerned with the [illegible] principles and goals in the [illegible] elderly [illegible] person [illegible] as [illegible]. We have always supported the [illegible] security programme [illegible] individuals [illegible] for [illegible], but [illegible] through [illegible]

the flexibility provided by private, wage - related pension plans had much to commend it and should not be given up lightly. The inherent inequities in the Canada Pension Plan have created difficulties in this field, and great wisdom on the part of all concerned will be needed in the future to avoid more serious problems. The benefits provided by the Canada Pension Plan should be carefully blended in each man's estate, having due regard to his resources and responsibilities, and the life insurance industry is in a unique position in that it can provide that service through a well-trained group of life underwriters.

Agency Organization

The Dublin Branch of our British Isles Division, under the leadership of Harry Ellis, has repeated its achievement of 1964 by leading the entire Company in production of ordinary assurances and annuities. A record was set in 1964, this being the first time in the history of the Company that one of our British Isles Division Branches led the Company. Their performance in 1965 proved that their 1964 accomplishment was "no flash in the pan". Our Vancouver Branch, under the joint management of A. L. Anthony and N. A. Daly, was again runner-up and the leading Canadian Branch. Cleveland Central Branch, under co-Managers T. A. Mason and L. H. Benson--both of whom are with us today--was the leading United States Branch. In the President's Award competition, A. G. Billesdon, Manager of our Detroit Branch--who is also with us today--won the North American trophy. This competition is conducted on the basis of excellence

in all aspects of Agency Branch management. This is the third year in succession that Mr. Billesdon has won this award, which is a real tribute to the efficiency of his organization.

Not only was the Vancouver Branch runner-up and the leading Canadian Branch as far as production of new ordinary and annuity business is concerned, but they also won both the Volume and Trophy awards in both the Spring Campaign and the Grand Challenge Campaign in the Fall, thus repeating their 1964 achievements in this area. They were also runner-up and the Canadian Leader in the President's Award competition.

In addition to being the Company Leader in volume of new business, Harry Ellis--Dublin Branch--won the President's Award for the British Isles Division, after having been runner-up in 1964.

Business in Force

The above-mentioned figures of New Business have resulted in a very satisfactory growth in business in force. As of December 31st, 1965, our family of policyholders had in force a total of more than $6\frac{3}{4}$ billion, which is $559 million more than the preceding year. This total included life insurance of $5,795 million and annuities of $989 million. As usual, we have not counted in these totals the business we have reinsured with other companies. As you will see from the Second Chart, we are rapidly approaching the seven billion dollar mark. In 1947, after being in business for one hundred years, we passed the first billion dollar mark. The progress from that date can be gauged from this Chart.

Income and Investment Earnings

Our total income for the year was $178 million -- an increase of over $10 million from 1964. As you will see from the statement of revenue, the largest portion of this -- $125 million -- represents premiums that are paid by our policyholders for insurance and annuity contracts. The future growth of this figure will naturally be affected by the institution of the Canada Pension Plan and by the various proposals that have been made for the entry of Provincial or Dominion Governments into the Medicare field. It is too early to tell exactly what effect these developments will have on the future growth of our premium income.

Investment income continues to grow--both as a result of the growth of the assets of the Company and of the increase in the net rate of interest earned.

The net return on our assets last year as shown in Chart No. 3 was 5.66% -- which is an improvement of .14% over the previous year. This is the 18th consecutive year that the rate of return on our assets has increased and is of material benefit, not only in assisting the Company to meet higher operating expenses, but in reducing the cost of life insurance to our policyholders.

New money was invested last year at an average rate of 6.25%. This is higher than the previous year's rate of 6% and is an indication of the higher yields that prevailed in money markets during the past year. As the

North American economy approached its full operating capacity, monetary authorities in Canada and the United States gradually tightened credit conditions so that at the end of the year yields obtainable on new investments in both Countries were at levels substantially higher than those prevailing at the beginning of the year. Despite the reduction in pressure against the pound sterling, interest rates in the United Kingdom on balance increased slightly during the year.

The past year was not an easy one in Canadian financial markets. Recent steps taken by the United States to improve its balance of payments led to increased strains on the Canadian capital market. The collapse of a well-known Canadian finance company and the troubles of some other financial institutions point to the importance of investment prudence. The events of the past year stress the value of the guarantees offered by a company such as ours and should emphasize the importance of sound supervision and level-headed investment judgment.

Benefit Payments

Another measure of the growth of the Company is the increase in the payment of benefits to policyholders and beneficiaries. In 1965, we paid out more than $90 million -- an increase of $12 million over 1964. The Fourth Chart indicates that 69% of these payments was made to living policyholders and annuitants. The largest item in these payments was, of course, death benefits of over $28 million paid to beneficiaries in accordance with the desires and intent of the insured.

The mortality experience in 1965 was slightly less favourable than it has been during the last few years but, even so, was more favourable than the average of, say, ten years ago. Fluctuations of this kind can be expected, but there is no reason to believe that any change in the favourable long-term trend in mortality rates is indicated. The extra claims of the year were spread over the entire business of the Company--new policyholders and old--ordinary insurance and group.

Over the years, many diseases have been brought under control, but at the same time, the tensions of day-to-day living have increased. As a result, diseases of the heart and circulatory system are in the ascendance. Together with cancer, they accounted for more than three-quarters of the death claims recorded with Canada Life in the past year.

While there has been important progress made in treating disease in recent years, the accident rate continues to climb. In 1965, accidents were the leading cause of death among policyholders under forty years of age, and more than one-third of our total accidental death claims were the result of car accidents.

We feel sure that accidents would be substantially reduced if pedestrians and drivers alike were always on the alert and cautious and courteous at all times. The car manufacturers, too, can contribute greatly to a reduction in the death rate by continuing to stress safety measures in the design and operation of our automobiles.

Assets

During 1965, our assets crossed the One Billion Dollar level and now stand at One Billion, Fifteen Million. It took seventy-seven years for the Company to reach One Hundred Million Dollars of assets, but only forty-two years for them to become ten times as large. Chart No. 6 shows the distribution of these assets.

Our Investment Department had a most active year. Again in 1965, the major outlet for your Company's funds was in the mortgage area, but a substantial volume of securities was purchased as well. Of the funds available for investment during the year, approximately 60% was invested in mortgages and real estate, the balance being invested in securities. The amount committed and disbursed on mortgages is easily the highest on record and shows the important part your Company is playing in helping the growth and re-development of our Towns and Cities.

Despite the record amount of money committed by life insurance and trust companies during the past year, there is at present much newspaper comment about the shortage of money for real estate investment. What is popularly known as "tight money" is blamed for the inability of many new building plans to achieve fruition. It is evident, however, that simply making more money available would not solve all the problems of the construction industry. In many parts of the Country, construction materials are available only after delays, and skilled labour--in particular--is in very short supply. Making more money available under these conditions merely increases con-

struction costs and has little effect upon the total volume of construction. Under existing conditions, the only way to enlarge construction output is by an increase in productivity or by the diversion of resources from other areas in the economy. This is not easy, and would create problems elsewhere.

It is interesting to note the changing pattern of our mortgage investments in Canada and the United States. Ten years ago, a majority of our commitments were for single house loans. As a result of the expanding demand for apartment accommodation, last year our commitments on apartment loans exceeded those on single houses by a considerable amount. As a result, the average loan increased from $12,000 in 1955, to $58,000 in 1965. While our 1965 lending included a number of loans of substantial size, nevertheless this average shows that we continue to be very conscious of the needs of the average borrower.

In 1965, we strengthened our mortgage operation in the British Isles, and we look forward to an increasing participation in the United Kingdom mortgage market.

As permitted by the recent amendments to the Canadian and British Insurance Companies Act, your Company is taking a more active equity participation in real estate investments. It is probable that this type of investment will gradually become a more important segment of your Company's assets.

Recent publicity given to the phenomenon of rising interest rates continues to stress the effect on borrowers and gives little or no recognition to

the vast body of individuals who provide the money for those borrowers -- namely, the thrifty savers who are clients of life insurance companies and other savings institutions. A somewhat higher rate of interest is not only an incentive to these people to save more money, but is some compensation to them for the erosion that has taken place in the value of their savings.

Liabilities and Surplus

The first and largest item in our liabilities, the amount required in addition to future premiums and interest, to provide for payments guaranteed under insurance and annuity contracts, was calculated on the same conservative basis as in past years, in spite of the higher interest rates which we are currently earning and which might have been taken into account in determining our liabilities. As a mutual company, the full benefit of this higher interest, after taxes, is returned to the policyholder by higher dividends or lower rates. As a result, substantial increases in dividends were introduced in Canada and the British Isles on the 1st January, 1966. However, in the United States, a considerable part of the additional interest earnings is absorbed by Federal Income Tax.

Executive Staff Changes

A considerable number of changes took place in the official family of the Canada Life during 1965. The effect of these will be seen by reference to the list of Officers shown in the folder in your hands. Some years ago, your Company undertook a programme of executive building to provide for the expected growth of the Company, as well as to replace normal retirements. Your Company has been very fortunate to have available within its ranks people well-equipped to assume the increased responsibilities that devolve upon them.

Centennial Plans

A year from now, all Canada will be preparing to celebrate the Centenary of this Nation. Your Company plans to participate in honouring this Centennial in a manner in keeping with our historic position in the Canadian economy. In addition, Canada Life will participate with most of the other life insurance companies in Canada in the contribution of The Canadian Life Insurance Association to Expo '67. The Association will sponsor a six-stage theatre in the "Man and His Health" pavilion, where six aspects of modern medicine will be featured. Expo '67 will be an international event of great significance and is well worthy of our support.

Tribute to the Staff

With us today at this meeting, in addition to the Officers of the Company and the United States Managers and General Agents, are a considerable number of the senior staff. Recent years have produced many changes in organization, methods and procedures. The ability of the staff of the Company to cope with these changes is a real tribute to the calibre of people who make up that body. Over the years to come, positions of increased responsibility will become available in this Company's organization in even larger numbers, and we are very confident that those involved will rise to the challenge. I would like to thank the staff for their loyalty and co-operation in the year just passed and congratulate them on their many accomplishments in the Company's operations.

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NEW BUSINESS PLACED BY AGENCY ORGANIZATION

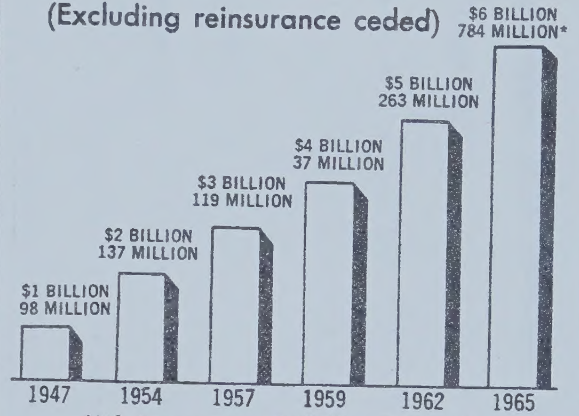
(Excluding reinsurance received)

	1965	1964
Ordinary (individual life insurance contracts)	$424,278,000	$410,524,000
Group Life Insurance	303,348,000	168,028,000
Annuities	51,834,000	60,008,000
Total	779,460,000	638,560,000

2

LIFE INSURANCE AND ANNUITIES IN FORCE

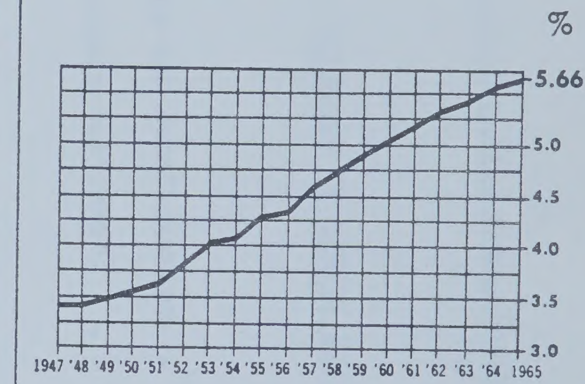
(Excluding reinsurance ceded)



*Life insurance—$5 billion, 795 million
Annuities — $989 million

3

NET RATE OF INTEREST EARNED 1947-1965



4

1965 PAYMENTS UNDER POLICY CONTRACTS

To Living Policyholders and Annuitants —

$62 MILLION — 69%

To Beneficiaries —

$28 MILLION — 31%

Total — **$90 MILLION — 100%**

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INCOME DOLLAR IN 1965

Where it came from

Policyholders	72¢
Interest on Investments	28¢
	$1.00

How it was used

For payment to Policyholders and Beneficiaries in 1965 and subsequent years	85$\frac{4}{5}$¢
Operating Expenses and Taxes	14$\frac{1}{5}$¢
	$1.00

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DIVERSIFICATION OF INVESTED ASSETS

	%
Government Bonds	11.6
Municipal Bonds	6.0
Public Utility Bonds	4.3
Other Corporation Bonds	18.1
Preferred and Common Stocks	8.2
Mortgage Loans	42.0
Properties Held for Investment	3.4
Policy Loans	5.6
Miscellaneous (Office Premises, Cash, etc.)	.8
	100.0

For release 3:00 p.m., Thursday, January 27th, 1966.

HIGHLIGHTS OF CANADA LIFE'S 119TH ANNUAL REPORT

	1965	1964
Paid to Policyholders and Beneficiaries.	$ 90,239,000	$ 77,618,000
Including Policyholders Dividends.	17,555,000	15,896,000
New Business		
Ordinary (individual life insurance contracts) .	424,278,000	410,524,000
Group Life Insurance	303,348,000	168,028,000
Annuities.	51,834,000	60,008,000
Total.	779,460,000	638,560,000
Business in Force		
Life Insurance	5,795,175,000	5,264,828,000
Annuities.	989,082,000	960,265,000
Total.	6,784,257,000	6,225,093,000
Assets	1,015,703,000	944,910,000
Unassigned Surplus and Contingency Reserves. . . .	65,841,000	60,118,000
Net Interest Earned.	5.66%	5.52%

THE CANADA LIFE ASSURANCE COMPANY

An international company with its Home Office in Toronto, Canada.